



September 2008

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

(Australia) Gunns has admitted that its 1.1 million tonne/a bleached hardwood and softwood kraft pulp mill planned for the Australian state of Tasmania may never be built. The company indicated that it intends to bring a partner on board the scheme to form a 50/50 joint venture. Discussions with potential financiers for the A\$2 billion (\$1.6 billion) investment are ongoing. Australia's federal government has given Gunns until January 5 next year to complete an environmental impact management plan. (PPI Asia, Sept. 8)

(Russia) Ilim Group plans to invest \$2 billion in its Russian facilities in 2009-2013. The investment includes \$700 million for its Bratsk and Ust-Ilimsk plants in the east, \$700 million for its Koryazhma plant in the west, over \$310 million in its forestry division, and \$160 million for new corrugating facilities in the west. In Bratsk, Ilim Group will install a new pulp line, which will increase the mill's total bleached softwood kraft pulp capacity to 650,000 tonnes/a, and they are considering switching to a totally chlorine-free pulping method. On top of that, a new printing/writing paper machine of an unspecified capacity will also be installed at the facility. The Bratsk plant currently manufactures over 715,000 tonnes/a of pulp and paper. In Ust-Ilimsk, they plan to revamp the washing and bleaching sections, modernize the dryer section, and install new electric precipitators (allowing the mill to stop recovery boiler #3) in the first pulp line at its 630,000 tonne/a market pulp mill. The scheme at the Ust-Ilimsk plant also includes improvements in the chipping facility and a new wood-yard. Upgrades to Koryazhma include a new coated paper PM and modernization of existing equipment. Investment in the forestry division includes new logging units, transportation, auxiliary equipment and roads. (PPI Europe, Sept. 11)

(Russia) Volga Pulp and Paper Mill has announced a Euro 114 million (\$164 million) investment plan at its facility in Balakhna, the Nizhny Novgorod region, in Russia, for 2009-2011. Under the scheme, the firm plans to increase its total newsprint capacity by 25%, to 750,000 tonnes/a. (PPI Europe, Sept. 25)

(Latin America) SCA said it will build a 60,000 tonnes/a dry crepe tissue machine near Mexico City that will start up by the end of 2010. The \$240 million project also includes a recycled fiber plant, three converting lines for toilet paper, and a distribution center. (Pulp & Paper Week, Sept. 5)

(India) Tamil Nadu Newsprint and Papers has placed an order with **Voith** for a new printing/writing paper machine for its mill in the Karur district of Kagithapuram, India. The 155,000 tonne/a unit, PM 3, will have a wire width of 6.1 m and a design speed of 1,200 m/min. Output will be in a basis weight range of 50-120 g/m². The machine will use bagasse pulp as furnish. Start-up is for May 2010. (PPI Asia, Sept. 8)

(Vietnam) Tan Mai Paper has received clearance from the Quang Ngai provincial government for the construction of a new newsprint mill in central Vietnam. The facility will be located on a 44-ha plot of land in Binh Long commune, in the province's Binh Son district. It will house a 150,000 tonne/a PM and a 100,000 tonne/a deinked pulp line. (PPI Asia, Sept. 8)



September 2008

(Australia) Amcor has placed an order with **Metso Paper** for a new containerboard machine for its Botany mill in New South Wales, Australia. The 345,000 tonne/a PM 9 will produce 105-200 g/m² testliner and 80-190 g/m² fluting from 100% recycled fiber. It will be equipped with two gap former units, a closed draw double nip press section and a film size press. Start-up is scheduled for the second half of 2010. The new machine will be located at a vacant part of the Botany facility, some 11 km southeast of Sydney. It will replace the mill's two existing containerboard units, PMs 7 and 8, which have a combined capacity of 260,000 tonnes/a. (PPI Asia, Sept. 22)

(Mozambique) Portucel Soporcel has signed a memorandum of understanding with the government of Mozambique that may lead to the construction of a massive integrated pulp, paper and energy facility there. The company estimated that the project, if it comes to fruition, would produce no less than 1 million tonnes/a of pulp. A spokesman for the Mozambican government said that the next step in the process will see Portucel carrying out and submitting a series of studies to the national authorities. Construction of the facility will begin once these studies are met with approval. (PPI Europe, Sept. 4)

(Mozambique) Industria Florestal de Manica, the Mozambican subsidiary of South African forestry company **Komatiland Forests**, has confirmed it is investigating the possibility of establishing a large eucalyptus plantation for pulp and paper production in the country. A spokesman for Komatiland Forests explained that the firm has not yet committed to a plan, but that its target would be a yield of about 1 million tonnes/a of eucalyptus wood. That would amount to a plantation, he said, of about 50,000 ha. (PPI Europe, Sept. 11)

(Germany) Zellstoff-und Papierfabrik Rosenthal (ZPR) has signed up **Metso Paper** to upgrade the pulp washing facilities at its mill in Thuringia, central Germany. ZPR, a subsidiary of **Mercer International**, originally planned the revamp as part of a wider investment at the site, aimed at raising bleached softwood kraft pulp output from some 310,000 tonnes/a to 400,000 tonnes/a by 2010. The Rosenthal 400 scheme is still on ice, awaiting more favourable market and economic conditions. (PPI Europe, Sept. 4)

Implementation/Start-up Phase

(Russia) SCA is reaching the final stages of its greenfield tissue mill project in Sovetsk, the Tula region, Russia. In November, the firm will bring on stream a converting line, while the start-up of a new machine, PM 1, is slated for April 2009. The PMT supplied unit is 2.8 m wide and has a speed of 1,800 m/min. The 30,000 tonne/a machine will produce tissue from 100% recovered fiber. Before PM 1 comes on stream, the facility will convert tissue supplied from SCA's plants located in Europe. The total cost of the investment at this stage is estimated at over Euro 50 million (\$72 million). SCA will employ 250 people at the facility. The Swedish firm will build a second tissue machine, PM 2, once PM 1 is up and running. "If the current project is successfully implemented, SCA plans to install one more machine with a capacity of 30,000 or 60,000 tonnes/a of tissue," general director of SCA Hygiene Products Russia & CIS, Timofei Sokolenko, said. (PPI Europe, Sept. 11)

(China) Hunan Tiger Forest & Paper has started commercial production on a 400,000 tonne/a pulp line at a greenfield mill in Huaihua city, Hunan province, China. This follows successful trial runs that kicked off in July. The pulp line, which was supplied by Andritz, is the largest BSK pulp line in China. (PPI Asia, Sept. 8)

(China) China's Nanning Phoenix Pulp & Paper is poised to bring a 20,000 tonne/a tissue paper machine online at its mill in Nanning city, Guangxi province. The BF-12-type PM has been supplied by Japan's Kawano Zoki. The unit has a width of 3.4 m and a design speed of 1,000 m/min. (PPI Asia, Sept. 8)



September 2008

(Russia) Stora Enso has brought a new packaging plant online in Balabanovo, near Moscow, Russia. The new facility, which is located next to the existing flexo-printed corrugated packaging plant, will produce 30 million m²/a of offset-printed microflute corrugated board. The total cost of the investment is Euro 23 million (\$34 million). According to a spokesperson, the firm is planning to further increase its packaging capacity in Russia. No other details are available at this stage. (PPI Europe, Sept. 4)

(India) Century Pulp & Paper is gearing up to bring a new tissue machine online at a greenfield facility next to its Lalkua plant in Uttaranchal, India. The firm aims to start trial runs on the machine in late September or early October, with commercial production to follow within a month. The Metso Paper-supplied PM will have a trim width of 2.85 m and an operating speed of 2,000 m/min. It will produce up to 120 tonnes/day of paper from baled pulp. The total cost of the project is Rupee 1,750 million (\$40 million). The firm is also upgrading its Lalkua facility, and has recently placed an order with Voith Paper for an 180,000 tonne/a cartonboard unit. The PM will have a wire width of 4.3 m and a design speed of 700 m/min. It will produce grades such as white lined chipboard, folding boxboard, liquid packaging board and solid bleached board, in a basis weight range of 170-500 g/m². The scheme also includes a new bleached hardwood kraft (BHK) pulp line, as well as a 40 MW power plant. Metso will supply the 450 tonne/day BHK unit. (PPI Asia, Sept. 8)

(Indonesia) Asia Pulp & Paper's subsidiary **Indah Kiat Pulp & Paper** has started mechanical tests on a 700 tonne/day recycled containerboard machine at its Serang mill in West Java, Indonesia. Start-up is expected to follow by the end of this month. The unit, PM 5, was supplied by several foreign and domestic manufacturers, including **Metso Paper** of Finland and France's **ABK Machinery**, with Polish supplier **PMP Group** providing a headbox and a calendar. PM 5 will focus on producing white-top liner after it comes online. (PPI Asia, Sept. 22)

(China) China's Henan Yinge Industrial Investment has started trial runs on a 200,000 tonne/a recycled fluting machine at its No. 2 mill in Luohe city, Henan province. Commercial production is slated to follow by the end of this year. The 4.8 m wide unit, PM 2, which was supplied by the Chinese manufacturer **Jiangsu Huadong Papermaking Machinery**, has a design speed of 650 m/min. Output will comprise recycled fluting in a basis weight range of 120-180 g/m². The cost of the scheme will total RMB 206 million (\$30 million). Henan Yinge's subsidiary **Luohe Yinge Specialty Paper** is installing a 50,000 tonne/a specialty paper machine at its facility, also in Luohe city. It is poised to bring the PM on stream by the end of this year. The project is expected to cost RMB 180 million. (PPI Asia, Sept. 22)

(Sweden) SCA has started installation of a new thermo mechanical pulp (TMP) line at its Ortviken mill in Sweden. The 440 tonne/day unit, supplied by **Metso**, is being housed in a building formerly used for debarking equipment. It is expected to start-up in June 2009, and will raise Ortviken's total TMP capacity to over 2,500 tonnes/day. The plant is home to five TMP lines, which manufacture up to 750,000 tonnes/a of pulp, as well as 850,000 tonnes/a of standard and improved newsprint and lightweight coated paper on four machines. (PPI Europe, Sept. 25)

(USA) International Paper (IP) recently completed converting its Bastrop, LA, operation into a standalone market pulp mill with 410,000 tonnes/a of capacity, and is taking market related downtime this month to balance its inventories with expected orders, company officials told PPI Pulp & Paper Week. Bastrop, which used to produce about 225,000 tonnes/a of uncoated freesheet papers and pulp, now makes southern bleached softwood kraft (SBSK) and fluff pulp, company officials said. (Pulp & Paper Week, Sept. 5)



September 2008

MERGERS, ACQUISITIONS & PLANT CLOSURES

(South Korea) Hansol Paper has signed a memorandum of understanding (MOU) with fellow South Korean firm **EN Paper Manufacturing** to acquire the latter's printing/writing paper operations. The deal is expected to be finalized in October. Hansol Paper aims to take over EN Paper's three printing/writing paper mills in South Korea, which have a combined capacity of around 500,000 tonnes/a. (PPI Asia, Sept. 8)

(Europe) The European packaging giant **Mondi Group** has acquired certain **Loparex Group** operations in Asia and Europe, including Loparex's facility in Lohja, Finland, their plant in Glossop, the UK (both of which produce direct coated and polyethylene coated release liners) as well as the group's printing and slitting terminals located in Warsaw, Poland, and in Bangkok, Thailand. (PPI Asia, Sept. 8)

(Turkey) **Mayr-Melnhof (MM) Packaging** has acquired a second cartonboard converting plant in Izmir, Turkey. The Austrian company now holds a 60% stake in **Superpack**, a folding cartonboard company whose activities are focused on packaging for non-tobacco fast moving consumer goods for the domestic market. The plant employs about 120 people and can process some 8,000 tonnes/a of board on two offset printing lines. MM Packaging's other converting facility in Izmir focuses on tobacco packaging. The two sites' operations will not be integrated. (PPI Europe, Sept. 4)

(Finland) **UPM** has announced plans to close its Kajaani and Tervasaari plants, both in Finland, by the end of the year. The 640,000 tonne/a Kajaani mill produces newsprint, while the Tervasaari plant manufactures some 210,000 tonnes/a of softwood kraft pulp, amounting to 10% of UPM's total pulp production. The closures will not affect the sawmill or wood procurement operations at Kjaani, nor the specialty paper operations at Tervasaari. The potential shuts are part of a wider program designed to secure the firm's profitability in a climate of slow growth and rising costs. UPM is also set to rationalize its business structure and streamline operations, and has earmarked its European label division for significant efficiency improvement. (PPI Europe, Sept. 11)

(Finland) **Stora Enso** has announced plans to reduce its paper and board capacity across Europe to the tune of 600,000 tonnes. It will also cut some 1,700 staff positions, subject to consultation with labour representatives. The company was at pains to point out that the actions were not merely part of a strategy to deal with the Russian wood tariffs, but also a response to low profitability on the machines in question. Closures include: magazine paper capacity reduced by 140,000 tonnes with the closure of PM 3 at the Kabel mill in Germany; closure of 100,000 tonnes of coreboard production activities at its Corenso mill in Varkaus, Finland, before 2009; elimination of 190,000 tonne/a folding boxboard BM 3 at its Baienfurt mill in Germany; 170,000 tonnes of liquid packaging board (LPB) capacity will be permanently discontinued at the Imatra mill in Finland by the end of 2009 with the shutdown of BM 1; the closure of two polymer coating machines, one at Imatra and the other in Karhula, also in Finland; and closure of its Estonian sawmill, Paikuse, which will lead to 170,000 m³ of finished wood coming out of the market. (PPI Europe, Sept. 11)



September 2008

(France) The Tribunal de Commerce de Grenoble has decided to liquidate **Matussière & Forest (M&F)**. The verdict was taken on September 23, 2008. The company was put in receivership earlier this year due to the rise in raw material and energy costs, the deterioration of market prices and consequently its results. The facilities include: the 150,000 tonne/a improved newsprint plant in Turckheim, north-eastern France; the 60,000 tonne/a newsprint and uncoated mechanical paper mill in Lédar, in the southwest; the 130,000 tonne/a woodfree paper facility Papeterie de Voiron in Voreppe; and the 130,000 tonne/a coated mechanical paper mill Papeterie de Lancey in Brignoud, both in eastern France. (PPI Europe, Sept. 25)

(USA) Louisiana's State Bond Commission approved the acquisition of \$100 million in revenue bonds to refurbish **Tembec's** 800-acre St. Francisville pulp and coated paper mill the company shut in June last year. Tembec has been trying to sell the mill and wants the buyer to sign a non-compete agreement. A New York private equity fund called **Pan American Capital Group** is reported to be in advanced negotiations with Tembec to acquire the mill. (Pulp & Paper Week, Sept. 19)

(Latin America) **Votorantim Celulose e Papel (VCP)** and **Aracruz** made a major move in the two firms' corporate restructuring, agreeing to merge their operations into one mega-producer with 4.5 million tonnes/a of bleached eucalyptus (BEK) pulp capacity – and substantially more capacity planned in their pipeline. When VCP first announced the plan on Aug. 6, 2008 it said the transaction would create a company with the lowest cash cost of production of pulp in the world, with synergies estimated at R\$4.5 billion. The merged company's 4.5 million tonnes/a of BEK capacity represents an estimated 7.4% of global market share in paper grade market pulp. That would eclipse other large producers such as today's current second largest producer, Arauco, which has 3 million tonnes/a, and No. 3 Sodra's 2.1 million tonnes/a. (Pulp & Paper Week, Sept. 19)

(USA) A newly-developed company, **PaperWorks Industries**, will run the two former **Smurfit-Stone Container** coated recycled board (CRB) mills that the US Dept of Justice (DOJ) required Graphic Packaging (GPI) to sell as part of the Graphic-Altivity merger in March. PaperWorks, based in Philadelphia, PA, is an affiliate of portfolio company Sun Capital Partners, which recently purchased the two mills from GPI. PaperWorks' two mills are the 130,000 tons/a Philadelphia, PA, operation and the 150,000 tons/a Wabash, IN, operation, making PaperWorks the fourth largest CRB producer in North America with an 11% market share. (Pulp & Paper Week, Sept. 19)

(Canada) **AbitibiBowater** will curtail 30,000-35,000 tonnes of newsprint production a month for the balance of the year at its high-cost mills, citing "unprecedented cost inflation of" old newspapers (ONP) and declining newsprint consumption. AbitibiBowater did not specify where its downtime would occur, but warned that there might be instances where orders may not be filled from the usual location. (Pulp & Paper Week, Sept. 5)

(USA) **International Paper (IP)** announced plans for an "indefinite" shutdown of the 430,000 tons/a containerboard machine No. 3 at its Valliant, OK, mill as of Nov. 1. "The decision to shut down this machine will enable us to match our production to our customer needs, and limit our exposure to high fiber and other input costs in the area," said IP Industrial Packaging Sr VP Carol Roberts. The Valliant machine represents 3.7% of IP's domestic containerboard capacity and around 1.1% of North American capacity. The company had just acquired Valliant, the largest containerboard mill in North America, after closing the \$6 billion purchase of Weyerhaeuser's containerboard and packaging assets in early August 2008. (Pulp & Paper Week, Sept. 12)



PRODUCT PRICE SUMMARY (US Dollars)

Product	Units	2001	2002	2003	2004	2005	2006	2007	2008E	2009E	Current Price
NBSK Pulp (N.E.)	m. ton	547	462	525	617	611	681	800	865	805	860
BEKP (N.E.)	m. ton	485	458	502	520	587	642	707	807	736	820
Newsprint 48.8 g/m ² (US East)	m. ton	585	465	503	547	610	668	585	695	769	745
Uncoated. Freesheet No.3 Offset 50 lb (US)	sh. ton	715	692	628	676	727	815	832	917	1,001	955
LWC 34 lb (US)	sh. ton	1,017	867	829	859	997	978	923	1092	1,156	1,120
Linerboard 42 lb (US East)	sh. ton	430	391	371	418	428	488	517	570	585	600
Lumber #2&Btr. (W-SPF 2x4, FOB)	Mbf	286	270	278	394	353	296	250	237	275	266
OSB 7/16" (N-C US)	Msf	159	160	380	369	319	218	160	174	188	203
Canadian Dollar	US\$	0.65	0.64	0.72	0.77	0.83	0.88	0.93	0.971	0.927	0.939

E = estimated

Sources: RISI Monthly Commentaries (September 29, 2008), Wood Markets Monthly (September 2008) & Foreign Exchange Consensus Forecasts (September 8, 2008)

